

1970

Policy choices for rural people

Center for Agricultural and Economic Development, Iowa State University

Claude W. Gifford

Farm Journal

Dick Hanson

Successful Farming

Alvin F. Bull

Wallaces Farmer

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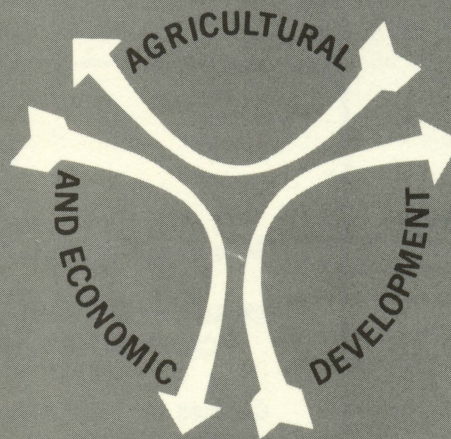
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1970



CAED REPORT 37

POLICY CHOICES FOR RURAL PEOPLE

**CENTER FOR AGRICULTURAL
AND ECONOMIC DEVELOPMENT**

**IOWA STATE UNIVERSITY of Science and Technology
Ames, Iowa 50010**

CONTENTS

Objective, Schedule, Participants 3

Choices for the Producer

Claude W. Gifford 5

Choices for Institutions

Dick Hanson 10

Choices of Rural Business

Alvin F. Bull 15



Policy Choices for Rural People

CAED Report 37

Report of a Colloquium on the Policy Choices and Program Alternatives to Improve the Welfare of Rural People

The colloquium was a joint project of the American Agricultural Editors Association and the Center for Agricultural and Economic Development. Work of the Center is supported in part by a grant from the W.K. Kellogg Foundation.

Participation in the colloquium was by invitation of the sponsors. This report of the discussion has been written by three farm magazine editors who took part—

Claude W. Gifford, Farm Journal

Dick Hanson, Successful Farming

Alvin F. Bull, Wallaces Farmer

Foreword

When 12 farm magazine editors and 10 social scientists sit around a table for a day and a half to discuss improving the situation of rural people, many things happen. Mostly these things happen to those who sit around the table. They find old questions persist, new questions arise, and totally satisfactory answers are difficult to find. Such is the nature of public policy discussion. Yet out of the conversation comes the courage to describe situations not faced by such a group before. And out of the description comes a sense of direction that had been absent when the group first met.

Editors came thinking that it would be fine for social scientists to describe ideal solutions to rural problems. The social scientists came hoping the editors could describe the social concerns of subscribers, and how readers might react to social policy proposals. Both groups were disappointed in these hopes, as the following pages indicate.

More than 200 pages of transcribed discussion came from tapes made during the colloquium. Three editors, who had agreed in some innocence to write a report, have gone through the pages to make their own response, each to the problem that was dominant during his half day of the discussion. These are not reports of what went on during the day and a half. They are reports of the impressions three good editors had after listening to and rereading what happened.

Probably all the participants came away with some compromise of old concepts, some feeling of guilt at things not attempted. As the reports indicate, all institutions represented are having trouble turning from production problems to people problems. The editors accuse the universities of this, but also accuse the agricultural press and the mass media generally.

"We apparently know little about what the good life means to people living on farms and in rural communities today....We don't seem to know nor are many attempts being made to find out....In fact, the Land-Grant institutions would seem to be neglecting or ignoring the social and political needs of today's rural institutions. Funds apparently are hard to come by for this type of research," Editor Hanson comments.

Of his own professional people, he says: "The agricultural press, as a group, lacks the crusading spirit often found in editors of yesteryear. Or, if the crusading spirit is present, it is production oriented rather than social or political. The agricultural press has not done a very good job of helping solve the problems of today's rural institutions."

Editor Gifford agrees by writing: "It is entirely fair to say that we have paid far too much attention to commodity adjustment in agriculture and far too little to people adjustment....While all of us associated with the technology push can bask in the broadened opportunity that we bring to the fortunate and the fast afoot, we also must share some responsibility for the greater problems of adjustment that we bring to those who aren't so fortunate or so nimble."

Editor Bull refers to it as a need for "human resource policy rather than land resource policy for problems of rural America." He asks for "Extension-type programs for rural businesses," and research on "disturbances and costs arising in the entire community as a result of economic growth and new technology."

Meanwhile on the campus, the serious and concerned students seem to be asking for much the same thing that these editors found as a keynote of the colloquium. The students, the social scientists, and the editors join in calling for a concern for human rights that is in line with our past concern for property rights. It is perhaps on such a philosophical base that all can stand to close a communication gap.

R.L. Reeder, Center editor

Colloquium Objective, Schedule and Participants

This was a discourse between some editors of agricultural magazines and some members of the scientific community. The object was to explore what policy choices and programs could lead to structural soundness in agriculture and rural commerce. Structural soundness refers to a balance of labor, management, land and equipment for efficient production. With structural soundness in the rural community, the income of these resources would equal or exceed their income in other uses. Another concern is improving the performance of the social and political institutions which affect human welfare. Presumably the dynamics of technology and national economic development should improve the welfare of rural people.

The Colloquium was organized so as to focus on the nature of the social and economic situation, the issues and the options of development and policy for three realms of interest: (1) the producers of raw food and fiber; (2) the social and political institutional systems important to human welfare; and (3) the people in commerce and business who supply goods and services. One half day was devoted to each problem realm.

The discussion focused on the concerns of rural people related to their future welfare. In the interaction the social scientists related to those questions posed by editors and also to those which emerged from the colloquy. The social scientists made available data, published articles, other relevant information, and their knowledge and experience. This (1) helped develop understanding of the context of the problems, and (2) indicated the issues, policy alternatives and developmental choices which may be open to society.

Session 1

Wallace Ogg, Moderator; Claude W. Gifford, Editor

The Social and Economic Situation, Issues and Policy

Choices of Producers of Raw Food and Fiber

Session 2

Charles P. Gratto, Moderator; Dick Hanson, Editor

The Social and Economic Situation, Issues and Policy

Choices Relative to Improving the Performance of the Social and Political Institutional Systems

Session 3

W.G. Stucky, Moderator; Alvin F. Bull, Editor

The Social and Economic Situation, Issues and Policy

Choices of Businessmen Providing Goods and Services to People in Rural Areas

Participants involved in the colloquium:

Calvin Beale, Demographer, Economic Development Division, ERS

C.E. Bishop, Vice President, University of North Carolina

Alvin Bull, Editor, Wallaces Farmer

Marion Clawson, Director, Land Use and Management Program, Resources for the Future

Claude W. Gifford, Editor, Farm Journal

Forrest Goetsch, Editor, Doane Digest

Charles P. Gratto, Economist, Iowa State University

Dick Hanson, Editor, Successful Farming

Charles M. Hardin, Political Scientist, University of California

T.P. Head, Editor, Progressive Farmer

E.O. Heady, Professor of Economics, Iowa State University

M.E. John, Chairman, Department of Agricultural Economics and Rural Sociology, Pennsylvania State University

Earl McMunn, Editor, Ohio Farmer

Wallace O. Ogg, Economist, Iowa State University

Robert Rupp, Editor, The Farmer (Minnesota)

Marvin Russell, Editor, Nebraska Farmer

John Schnittker, Economist, Kansas State University

George Smith, Editor, Kansas Farmer

W.G. Stucky, Education Leader, Center for Agricultural and Economic Development

Wayne Swegle, Editor, Successful Farming

James Thomson, Editor, Prairie Farmer

Cordell Tindall, Editor, Missouri Ruralist

Choices for the Producer

Claude W. Gifford

Surging new technology, flowing into agriculture at an accelerating pace, has put a heavy burden of adjustment on farmers "to cope." Some have more of a burden than others.

The question is: What can farmers do to get more control over these new forces—and the public policy relating to the inflow of new technology, the sharing of adjustments, and the benefits of the new forces?

Immediately, you wonder what the proper role of government in agriculture is in these times. That was less of a question during the depression. We were in a time of crisis. There was a general consensus that "something must be done." And it was. In a way, the present role of government—as demonstrated through various farm programs—is an outgrowth of those depression times with some adjustments for the World War II years.

It is extremely difficult to cut off ties with past farm programs and apply new techniques. We don't deal in terms of an ideal posture of government today. The practical and "attainable" leans toward the past, perhaps more than toward the future. Politicians lean that way, farmers lean that way, many studies by economists lean that way, human nature leans that way—and a new dimension, the government bureaucracy, leans that way.

Over the years, we got accustomed to certain farm price levels, yet with new technology these price levels were stimulative far above a full resource use level. We talked about keeping people "down on the farm," yet we knew that those who did leave, and those who remained, would be better off if more farmers did move into the more affluent off-farm economy. We talked about the necessity for maintaining certain farm commodity price levels, but we knew that among certain commodities this would hasten the market take-over rate by synthetics and would hand substantial parts of our export markets to foreign competitors. We sold farm programs on the basis of the need to help the small farmer—but we knew that the programs that we devised would help the large farmers far more than the small farmers. There are a few bonuses in farm programs for small farmers, but they are not substantial. In a way, while we were trying to soften the adjustment for small farmers, we were making their adjustment more harsh.

It is easy to say, if we didn't know all that in advance, that we weren't too bright about what we were doing. But often we were looking back at conditions as they were, instead of looking ahead as conditions probably would be in the future. And often we found ourselves trying to correct with new farm programs the mistakes that we had accumulated with past farm programs.

It is entirely fair to say that we have paid far too much attention to commodity adjustment in agriculture and far too little to "people adjustment." The pendulum of public concern and program implementation, we think, is now swinging toward "people adjustment."

We now need to focus, further, on where agriculture, in terms of its resources, should be in our total national economy—and in the world economy.

In these times, when it is fashionable and proper to talk about agricultural development in emerging "underfed" countries, we have fashioned in this "overfed" country of ours the best governmental agricultural development program in the world. It started with homesteading, low-priced land, immigration policies that brought in low-cost labor, railroad grants for transportation and the Land-Grant college system of research, teaching and extension.

Now our agribusiness industries, cooperatives, the ingenuity of farmers themselves, and the farm press are fueling our agricultural development more, and perhaps the public is fueling it less. Still, the combination is pressing our technology forward as if it is the second most important thing to getting to the moon.

Out of this, we strive for a progressive agriculture and a stable agriculture. The pub-

lic wants a stable food supply and farmers deserve some of the stabilization that the rest of the economy has achieved by its organizations and rules, and through government.

At the moment, we lack stated goals regarding the economic structure of agriculture. That is, as a public we haven't laid down rules to preserve the family farm—but we haven't laid down rules to affect it greatly one way or the other.

Industry and People

Agriculture is two things: it is an industry and it is made up of people.

As an industry, agriculture is doing well. It is efficient, it is progressive, it is serving the nation well, it has come to the defense of the nation at critical times, it has fed large numbers of people around the world in difficult times, and it plays an important role in supplying many of the world's people with food in good times and bad.

It is the people in this agricultural industry who are having real problems.

Look at it this way: If American agriculture—all of it—were owned by one person, we would consider him to be a whale of a success, a real genius, and a most important person. On the other hand, if there were twice as many farm operators as now—somewhere around 6 million—living off the present agricultural plant, most of them would be in bad trouble.

As it is, we have around 3 million farm operators who participate in this farm industry—some of whom are very well off, and many of whom are in trouble. And all of them are constantly undergoing major adjustments in response to the economic and managerial changes brought about by the rapid influx of new technology into agriculture.

We are continually able to do more farming with fewer people—and those who remain need to accumulate capital at a rapid rate to use the new technology on a larger land base. This leaves a very real personal problem for those who are, or should be, moving out; for those who aren't able to accumulate the capital or manage the technology that is required for staying; and for those who must meet the heavy demands for skill and capital to remain and grow.

In a way, then, the "push" of the new technology, whether it is from public or private sources, is helping create both greater opportunities for some and greater problems for others. While all of us associated with the technology "push" can bask in the broadened opportunity that we bring to the fortunate and the fast afoot, we also must share some responsibility for the greater problems of adjustment that we bring to those who aren't so fortunate or so nimble. In an enlightened world, and a compassionate society, we just don't walk away leaving the wounded, the fatigued and the weak to be devoured by hostile forces. Part of the rationale for a tribal pact to form a mutual society is the protection and aid that we give one another.

But on the other hand, we cannot so burden the strong and the "adjusted" with such a load that the system of protection and aid drains their strength until there is no longer any personal pride or comfort or recompense for being, and staying, strong.

If we assume that the galloping inflow of new technology into agricultural production is going to continue unabated, then it follows that some marginal farmers and some marginal farm regions will continue to be in trouble. Lower commodity prices will cause them trouble. Cost of production will cause them trouble. The need for expanded capital and greater managerial capacity will cause them trouble.

As long as you maintain a free-flowing economic system where people have open access to resources and where they can grow in size at whatever pace their ability will sustain, you will have problems for those who can't maintain the pace needed to keep up. That is why we need to focus both on land use and on how we might help these people, and areas, to attach themselves to a new income stream.

Long-Term Benefit

What, then, have we done—and are we doing—in the form of federal farm policies that has a long-term beneficial effect on agriculture?

Price supports—especially those that have evened out seasonal and cyclical variations—have ironed out some of the uncertainties of farming. This has improved farmers' ability to plan and has increased the rate of technological inflow. Not that this has always, or ever, gone smoothly. It hasn't. We've had our accompanying surplus accumulation, our irregular foreign food programs that sometimes disrupt international trade. And there has been a considerable public cost—a cost, by the way, that the public may not always be willing to pay.

There are those who think that dividing farm supports into price supports and income payments is a more direct approach to the equity problem and a fundamental step toward the next round of farm program development. They point out that it has set a precedent for the public to accept income payments of some kind as a medium for achieving greater equity or for achieving certain ends. Others note that payments have been used to substitute tax payments for farm market prices and have made farmers overly reliant on political processes and more subject to public control.

Another development is the growth of marketing orders. We had them in dairying in a rudimentary way for 25 to 30 years, and more recently have refined them. It is only lately that people have begun to understand the applicability of market orders to other commodities and their capability in matters such as pricing regulations, quality control, market flow and trade practices.

Another alternative is the free market. Because of the built-in relationships of nearly 40 years of farm programs, a rapid shift to the free market probably is unacceptable from the viewpoint of politics, farm income, land values and the effect on rural communities. Marginal areas would have a heavy burden fall on them. Those who had to shift from wheat to grass and from cotton to trees would be treated harshly. A gradual shift to the free market for more farm commodities—with protection against seasonal dislocations and major cyclical adjustments—is a very real possibility over the long term.

Another alternative is the route of farm bargaining power. If we took away all government supports and all government payments and still maintained the present level of farm income through bargaining power, it would require a rather high level of farm prices to maintain that income. These prices would exclude a good sized portion of our present exports. And still to be proven, of course, is that producer-organized groups will make a bargaining program stick. This is not to rule out gradual progress in bargaining, however; or the fact that in some commodities—particularly in contract commodities—bargaining will increasingly set the level of prices for farmers.

The immediate prospect ahead of us is that our surplus producing capacity in agriculture isn't going to evaporate over the next five years, or even in ten. Partly it's because of what's happening here in this country in expanded technology, but partly it is the result of what's happening around the world to agricultural technology and trade practices elsewhere.

The government can't regulate the rate at which technology is introduced into agriculture. Technology comes in the form of new chemicals, improved seed, better machines, keener management, better feed, improved breeding, new ideas, and a host of things too difficult to regulate—if one wanted to.

One alternative to try to tame our surplus producing capacity is to continue the annual land diversion programs that we have had in the recent past. The costs of doing this could very well climb to \$5 billion a year with the technology and trade changes that might lie ahead. And at the end of 10 years, we'd still have our problem with us.

Which Land Retirement

It's a safe assumption that we are going to continue to have some kind of land retirement. The question is, which kind? The present annual program is the highest-cost type of land retirement. We can move in varying degrees to other kinds of effective, but less costly, land retirement.

An alternative is a long-range land retirement program. With this, you can build in protection for marginal areas and marginal rural communities. You can bring about more gradual adjustments—and you can do it at a more reasonable public cost. The best guess is that a long-range land retirement program costing \$2 billion a year—about \$1½ billion less than our present annual program—would maintain farm income at about the present level. In five or six years this program might be less costly than our present annual land-retirement program—and a \$2 billion-per-year cost might be a figure that the public would be willing to pay.

It is well to remind ourselves that you get the greatest retirement of production at the lowest program cost by concentrating on whole farms, marginal land and marginal areas. A simple illustration would be this: A man on 50-bushel corn land may just be breaking even on that crop, so it doesn't take a very large payment to induce him to retire his land. A man on 100-bushel corn land may have higher expenses per acre, but his net is still usually quite a bit higher than that of the fellow on 50-bushel land. You can induce a man on 50-bushel land to retire two acres (100 bushels) at a much lower program cost than is needed to induce a man on 100-bushel land to retire one acre.

Long-range land retirement wouldn't stop farm adjustments nor let the bottom fall out; it would ease adjustments over a longer period of time in places where adjustments are going to be made anyway, and it would make changes more palatable.

One step would be to go to 10-year whole farm retirement. Then the farmers involved could shut down their entire farm and close the spigot on most costs, except for fixed costs such as taxes and conservation expenses. These farmers could take off-farm jobs.

Another step would be to build in some regional protections—for instance, not allowing more than, say, 25 percent of the land in a region to go into retirement. If you moved up from that percent, it would lower program costs, since less of the required national land retirement would come out of better land which, of necessity, demands a higher cost per acre to get it retired.

Another refinement to long-range land retirement is to help farm people get out of agriculture if they wish—especially those who want to retire early. You could have an income program, a part of which is job training and part of which is Social Security retirement for farmers who are 55 years of age. You could attach income supports to the person, not to the land. You could have cropping right easements for those who are taking the early retirement or income payments voluntarily—or you could buy outright the land offered and sell it back to other farmers.

In the end, you might have a more stabilized land price—which meets head-on one of the problems of farm programs in the past: price or income maintenance has gotten capitalized into the price of land, creating a situation that is very difficult to back away from. The labor approach would be aimed at reducing the labor input instead of the land input. This involves job assistance, job training and aid to rural communities.

Rural People Program

From the standpoint of cost, and immediate effectiveness, a long-range land retirement plan for farmers seems to have a lot of merit. But we also need to think of rural communities—the merchant, the tradesmen, and the Congressman who may lose his seat if there are fewer people on farms and in rural communities. That is the reason cropland adjustment programs have never gotten farther in the past. People don't want to step up the depopulation of the community or see it shrink. They want some kind of program for the entire rural community that focuses on rural people.

The problem of getting long-range land retirement is not the economics of it—it's the politics of it. There is a Congressional hangover from the Soil Bank program of the 1950's. The merchants selling production goods to farmers didn't like it. The marginal areas that were taking the most land out of production reacted negatively to it. It merely highlighted to them the adjustments that were already taking place in marginal areas and gave them

a handy target at whose doorstep they could lay the blame. The Congressmen from those areas didn't like it.

Long-range land retirement has been blamed for some adjustments in rural towns and villages that are going to take place anyway. Rural towns and their businesses are being bypassed by interstate highways, by urban shopping centers, by changes in merchandising farm supplies, by new methods of marketing farm products, by custom work and bulk handling on farms, and by other fundamental changes that have been bringing tremendous changes in rural towns. Even if the number of farms and the farm population remained constant, there would have been, and would continue to be, big changes in rural towns.

Still, at the present time, a long-range land retirement program is not likely to come out of the Senate or House Agriculture committees. Such a program would need to be reconstructed on the floor itself from what is reported out by the Agriculture committees. This has been happening in recent times to such bills as the food stamp program, meat inspection, poultry inspection and the like. It would be much harder to rewrite a land retirement program on the floor, since it is more complicated. Urban Congressmen are intimidated by all the jargon about allotments and price supports, and they don't want to learn about them. It may be the budget that finally forces a closer look at the costs of the annual land retirement.

What we are looking for, then, in the government's role, is a program that will help take some of the harsh edges off future economic adjustments; soften them with compassion and understanding; aid or alter changes, but not stop them; help the people, particularly, who by their circumstances and nature are having the most trouble adjusting; and treat the three parts of the rural economic scene: the agricultural industry, farm people and rural communities.

Choices for Institutions

Dick Hanson

Some Questions

A number of questions, issues and concerns were delineated prior to the colloquium and are repeated here for background:

1. What is the function or role of local government, schools, churches, farm organizations and other rural institutions?

2. What happens to rural institutions without migration? With development or growth in the area? What happens to community structure when a new industry moves in? What is known about part-time farmers—their community participation, buying habits, etc.?

3. How can rural community residents share community responsibility and control of institutions during development and growth? How can a community develop—how big can it become—without serious increase in the feeling of alienation? What is known about the reaction of people during a change from smaller to larger institutional structure?

4. How can rural institutions modernize, become relevant, and then avoid future obsolescence? How can institutions employ science to develop social innovations and consider the cost of institutional obsolescence? Are there measures of social obsolescence comparable to industry's balance sheets and input-output ratios?

5. What is the function of rural institutions in community development and growth?

6. What priority should be placed on developing human resources of rural communities? What are social and economic costs of educating rural youth for living elsewhere? Of failure to solve the poverty problem?

Some Replies

Here are a few selected quotations resulting from the discussion of the aforementioned questions:

•“It is not what the size of the community should be, it is how you relate communities of different sizes.”

•“Probably the most difficult region to plan for in terms of rural policy or even agricultural policy may be this heartland of the western Corn Belt and the Plains. They are so lacking in alternatives for agriculture that if agriculture declines, nonfarm growth does not help offset the situation. I wonder to what extent can the population of these communities continue to decline without getting the support of local and public services so low that they begin to affect the ability of the area to keep a productive agriculture?”

•“Local leadership is unpredictable and perhaps an unmanageable type of commodity but it does make a difference. Some towns have had success in economic development. I know of no way of explaining their success compared with similar towns in the same region except some sort of spontaneous emergence of leadership.”

•“Is it conceivable that we could construct a set of policies in this country that would be as favorable to the large towns, the small cities, as our farm policies have been to the large farmers? Could we drive out some of the small, dying villages just as we have driven out some of the small, inefficient farmers? Is this something we ought to be concerned about, building communities, places for people to live just as we've been concerned about building large farms?”

•“We still haven’t asked ourselves what kind of society we are trying to build. Where do we want people to live and what is it going to cost us, as a society, and cost them as people, if they live elsewhere? Technology changes. If we have a certain distribution of people in an appropriate state, this is going to be consistent with some state of technology. To change the state of technology you are going to change the distribution of population. You could keep the old distribution if you are willing to pay the costs. Who shall decide which towns are going to grow and which are going to die? Who is to say which farmers are going to grow?”

•“There is always a cost in every program to come along, and I don’t think that we ought to assume that every area ought to have an increase in population. In good planning, it seems to me, we have to make decisions as to what points and what places are the most logical places where, for the least public inputs, the least costs, we can produce the style of life we want, including of course the supporting income to support that style desired. It isn’t always a question of whether a community increases in population. Sometimes a decrease is very good and we have areas that haven’t decreased enough yet. I’d hate to see any kind of action taken in some of these areas to stop this thing. It would seem to me to be a waste of public funds.”

•“I would be inclined to say that if planning is good for the problem areas, it ought to be good for the whole country. If it is good for the whole country, then we ought to ask ourselves how we should approach it in terms of dividing the country up into planning areas that make some sense. You divide them up in such a way as to maximize this economic potential, not to push the problem areas off by themselves. Then you make smaller geographic divisions and you make a public commitment to put a viable center in each multi-county development district through actual public investment in the infrastructure. This is the approach I think we need. But we are not following it. We talk in terms of spreading our money all across the geography and it just isn’t going to work.”

•“I think we better have an urban society. The only thing is, what *kind* of urban society?”

•“The recent rural planning district bill provides retirement districts to be set up in essentially rural and small town areas and provides money for groups of counties, or basically rural and small towns, to plan together for their general development. I believe the budget bureau has issued a list several pages long of federal programs that the federal agencies are to administer or structure in relation to these plans. The machinery is there, there is no question about that. But there has not been a plan to work effectively at the state level and the county and local level.”

•“I am shocked at how little our agriculturalists know about the urban scene, but what urban people know about the rural background is miniscule.”

•“This country of ours—with our long record of population growth, income growth, etc.—we’ve never really faced a problem of population declining in economically declining areas.”

•“I would argue that there are very few people who choose as a life goal to be ignorant and poor. Why do they become this? Ask yourself. Why do they become ignorant and poor?”

•“I’m saying that somehow in the scheme of things, there ought to be institutions that make a difference in the condition of man. How is it that we have allowed our society to develop to the point where the institutional systems are inadequate?”

•“Our educational system hasn’t gone where modern technology went.”

•“I hold the gravest doubt on how some parts of the United States are going to maintain even a minimum government and a minimum lot of social services if we continue to

get thinner and thinner population. In particular, I'm thinking of a rising real standard of living over the whole country. If you think forward, our kids are going to have double or more real income than we have and think of the things they are going to be demanding. How do you get this in a very sparsely settled area? Many of these things are social in nature. These are some of the very serious problems, but we have been giving them the absolute minimum of attention."

•"Nothing is substituted for until there is a suitable, readily available substitute. You don't change pencils or you don't change shoes, or you don't change a machine or a social system until there is a readily available substitute. That's the point at which the substitution takes place. We know this, we know the kinds of changes that are taking place with regard to structure, but we'll not change these institutions if we have not invented, developed, and innovated readily acceptable substitutes. If you look on the technological side, the only way that anybody ever got a new model was to invest in its production. It seems to me to be quite a mystery why we feel we can get innovation in our institutional systems somehow without investing in their creation. Why is it we have not thought of social inventions as a very serious need of our society in order to get equity in the distribution of the gains of progress?"

•"To me there is just something wrong with this society where we can give a person who is a farmer a million dollars for doing nothing, if we were honest about it, but we can't give a poor person enough food stamps to buy food to create a market. To me that is not quite equity. I don't see much being written or said about these things that would bring them to the fore and get any number of people to really see what is going on so we can get some of these things changed."

•"I would condemn the economic profession for thinking it could be objective in just looking at resource allocation problems, ignoring income distribution problems. But I don't believe our society is going to tolerate it much longer."

•"I have been wondering what we could do as farm magazines. We talk to the commercial farmer about his day-to-day problems as a farm manager. We concentrate on this type of thing and we do almost nothing sociological. Probably the main reason we don't is that we don't have much to work with. We don't have the information or the facts."

•"If we could effectively use the knowledge that is available, get it peddled from the minds of the people who know into the brains of the people who need to know, we would be a lot further along than we are."

•"I would contend this group around this table, by asking some good hard questions, putting them in the minds of the farm leadership you serve, could have quite an impact upon what goes on in the way of research in the Land-Grant institutions over the next 15 or 20 years. I think you can focus the questions so that you can get the kinds of answers you want."

The Times and the People

Following are the observations of this editor as he took part in the discussion about social and political rural institutions.

1. The fund of knowledge available in regard to the present status of rural institutions and rural people would seem to be woefully inadequate and on some phases nonexistent. Much of the research data on which we must rely today is out of date with the times and the people.

2. The social scientists too often seem to live in an isolated world of theory, while the practical facts of life of the rural resident and his institutions of today are ignored.

There appears to be little actual on-the-spot testing of these sociological and economic theories.

3. Rural communities and institutions cannot expect to receive a great deal of social or political help with their problems from the Land-Grant institutions. No coherent workable planning appears to have been done or contemplated. And necessary background work is not in process.

4. In fact, the Land-Grant institutions would seem to be neglecting or ignoring the social and political needs of today's rural institution. Funds apparently are hard to come by for this type of research. As a consequence, it is conceivable that many potential thought leaders who should be engaged in this type of research drift into other fields where the funds—and the salaries—are more attractive.

5. Because of the lack of organization on the part of rural and small town people, there apparently has been little if any call by these people for the Land-Grant institutions to lend a helping hand with research, counsel, and advice.

6. The people actually involved in the social and political makeup of rural institutions have a right to expect more help with their problems than they have received in the past. It would appear that the rural wheel has not squeaked as loudly as it should.

7. It would appear that such solutions as are offered are arrived at before the problem itself has been fully identified and researched.

8. Often, money is the simple solution offered without a clear-cut idea as to side effects and total organization. Or new industry is often sought immediately by communities in trouble, almost as a reflex reaction. A new industry may not fit at all, or may create even greater problems for the rural resident and institutions. The cure may be worse than the disease. A great deal of work needs to be done to identify and isolate the relevant problems of rural institutions before practical solutions to those problems can be determined. This work apparently is not being done to any great extent at the present time.

9. Leadership training—assuming leaders can be trained—is practically nonexistent in the rural community.

10. Little work has been done to determine what factors will keep young people in a community after high school, or return to a community after college. It would appear that employment opportunity is only one of many factors causing the exodus by the young. But we apparently do not know a great deal about what the other factors are.

11. Everyone—including those people in rural areas—wants the "good life." We apparently know little about what the good life means to people living on farms and in rural communities today. The definition in a rural community may be different than in Scarsdale. Theoretical solutions based on erroneous evaluation of what constitutes the good life will be less than totally effective. Real solutions must take into account what the people really consider essential for the type of life *they* want. What life style do these people want? What life style should they have for their own good and for the good of the country? We don't seem to know nor are many attempts being made to find out.

12. The agricultural press, as a group, lacks the crusading spirit often found in editors of yesteryear. Or, if the crusading spirit is present, it is production oriented rather than social or political.

13. The agricultural press has not done a very good job of helping solve the problems of today's rural institutions. It has not done the job for several reasons: (a) Production information is the first order of business. (b) The problems of the rural institutions have not been identified by research institutions. (c) The sources of research information in this subject matter area are not readily known to the agricultural press. (d) Much of the research information which is made available to the agricultural press is history and has

little relevance to today's social and political problems of rural institutions. (e) Readership of social and political information is often discouraging to editors. (f) The agricultural press, as well as most other forms of mass communication, has become more and more a hard-nosed, dollar and cents business proposition where those subjects which produce revenue for the reader, and an effective selling tool for the advertiser, receive priority for the editorial space available. Social and political information is not the top contender for this space.

Choices of Rural Business

Alvin F. Bull

Affected by government policies and programs designed neither for nor by him, the rural businessman sees himself bearing a disproportionate share of the cost while reaping little of the benefits. The lack of solid information that will help him became obvious during the colloquium days. Its lack led to many of the highlights of the session being in the form of questions.

For instance, should government have particular policies and programs for businesses and businessmen of the rural community? A defensible case can be made for special assistance in adjusting to changes that, at least in large part, can be attributed to government policies and programs of past and present.

Some rural businessmen, of course, have read the future well. They adjusted the scale or design of their business in keeping with the needs of customers or moved on to some other income stream. But some were trapped by faulty vision, age, or any of a host of other reasons in one of the contractions of economic growth.

Suppose we set out to build policies and programs for more equitable sharing of costs and benefits in the entire rural segment of our economy. How much do policy makers, social scientists, or editors know about the problems of rural business?

The right questions may not even be asked as we begin a search for answers. But the following are questions and comments from the rural business session which may serve as launching pads for serious thinking and/or research.

- A. What is the function of rural business?
 - a. to supply goods and services
 - b. to provide an income stream for the entrepreneur
- B. Several classifications of rural business were suggested:
 - I. a. input suppliers
 - b. output handlers
 - c. suppliers of consumer goods and services
 - II. a. those depending on volume of farm inputs and outputs
 - b. those depending on number of people as consumers
 - III. a. those associated with large corporations of some sort
 - b. small independents
 - IV. a. cooperative
 - b. dealer selling products of corporation
 - c. suppliers of miscellaneous goods and services
 - d. farmer-dealer

The mix of purchased inputs for the farm is quite complex. Some farm inputs (such as chemicals) are purchased in increasing amounts. Some (such as tractors) are purchased in decreasing numbers but are larger in size and complexity so that dollar volume does not decline with number of units. Some are used for only short periods during the year. Some are needed close to the farm while others are not. How much will such factors affect structure of the rural retail distribution?

The farmer often demands increased quality, service, technical information, management help, and financial assistance along with the purchase of inputs. Some firms, in an effort to differentiate their product from others essentially like it, compete in supplying such services—especially those which make the purchased input perform better than it

might otherwise. Where is this leading farmers and rural businessmen?

- Farmers buy some products in large quantities. The larger farmers often bypass local retailers and go directly to the manufacturer. Loyalty to the small town dealer is largely a thing of the past. Same for loyalty to co-ops. Quality, price, service, convenience, and similar factors determine where purchases are made. Just what factors are involved and what is their relative importance?

- Rural businessmen are not effectively organized for political action.

- Number of farms and farmers continues to decline. Conversely, farm size increases. Capital in the form of purchased technology substitutes for both land and labor. Government programs have aimed largely at land adjustment (removing acres from crop production). The labor adjustment has been made mainly by (1) not entering farming, (2) leaving farming, or (3) accepting lower income.

Much the same sort of thing has been happening to rural businessmen, though there are fewer programs intended to provide assistance. When a government program reduces the resources devoted to farming, the same program also reduces the need for resources devoted to rural business. Unfortunately, those who leave rural business after spending part of their working life there often find themselves ill-equipped to compete elsewhere.

- So what is needed? Improved information sources on employment opportunities? Training opportunities? Some sort of subsidy for changing location and occupation?

Economic Organization of Rural Business

- What is the most effective economic organization for firms serving agriculture and the rural community? What structure will be needed for the future?

- Will economic organization need to vary with different sections of the country? Rural, nonfarm residents may be an important market for firms in some areas. Other areas may have only farmers or ranchers for customers—and few of them.

- Small supply and marketing firms are increasingly being merged into large regional or national corporations. How does this affect the local community? How much “community conscience” can be expected of the small local subsidiary of a large corporation?

- Some large corporations are placing closely supervised outlets in rural areas. These outlets may have the financial backing to drive independent competitors out of business. Through advertising and extra services, they may create special demand or product differentiation. What is the impact of this on rural business structure? On the community? Should corporations be forced to bear at least part of the external (pollution, for example) costs of their profit-making decisions?

- What is the future of one-stop shopping centers? What is their impact on rural businesses already in operation? On the communities in which the center locates? On surrounding communities? Is not the present small town nearly a one-stop shopping center in itself?

- Will there always be a place for the small independent operation which caters to local preferences and supplies special services?

- How large should rural businesses be for efficiency and profit? How large should they plan to become to fit the future?

- How far will farmers go for goods and services of the quality and variety desired? The traditional one hour of travel time concept has expanded over the years with developments in transportation technology. It started with 2 or 3 miles when everyone walked. Through horses, early automobiles, improved roads, and now modern automobiles, the

one hour distance enlarged to its present 40 to 60 miles. For some products this already seems to be the pattern. A considerable delivery cost may figure out to be cheaper than the alternative of extra handling and storage near the farm.

- What are the losses when firms become large? At what point do these offset the gains? How important are variables other than dollars—for example, employee attitude toward customers, lack of personal attention, guarantees, return policy on merchandise, standardization of product, etc.?

- What is the good and the bad of scale in rural businesses? Is there a difference between those supplying goods and services to rural people and those supplying inputs to the farm operation?

- Who decides where new rural business locates and what kinds of services it will offer?

- a. Independent dealers and competition
- b. Corporate manufacturer or distributor of product
- c. Demand—projected market
- d. Government programs—especially land diversion or retirement programs

Or put another way:

- a. Opportunity perceived
- b. Competition
- c. Public policy
- d. Market response

- Large corporations may gain advantage through better information on (a) from special studies or surveys, and on (b) from use of advertising.

Basic Policy Questions

- When the combined effects of changing technology and government programs cause inequitable distribution of benefits and costs, should government attempt to bring about more equitable distribution?

- When technology occupationally displaces people by removing the need for their economic existence, should not the public through government bear most of the cost of creating new income streams for those people?

- What is the economic and social cost of creating new income streams for such people? Of *not* creating new income streams for them? Without answers to these two questions, the necessary decisions are difficult.

- Is it possible to predict the rate at which new technology will be infused into agriculture? Is it possible, and desirable, to control the rate to fit specified criteria—perhaps as in a rural labor policy?

- Government programs for one industry do not operate in isolation, but tend to have varying impact on other industries. For farm programs this grows increasingly true as farming becomes more interdependent with other industries. Can we examine policy for one industry to determine its consequences on other industries in advance of actual policy adoption?

- Land retirement programs may leave many farmers as well off while decreasing demand for products of some rural businesses. When land retirement is concentrated in local areas, the rural businesses of those areas bear a heavy share of the agricultural adjustment cost. How much of this cost should rural business be expected to bear?

- Should government have policy and programs directly affecting rural business? Is there a policy question with regard to the form (economic organization) of rural business firms?

- Rural people may not be able to determine the direction and magnitude of many factors affecting farming, community, and rural business. As a poorly organized minority of the nation's population, they find many of the big decisions being made by urban majorities and by large corporations. There are, however, ranges of choice—places and times when choice is possible. If there is a truly desired direction, enormous opportunities exist over the long run for directing change.

Some Policy Needs and Areas for Study

- Anticipate consequences of policy and programs.
- Rural settlement policy consistent with a national settlement goal—resettlement, creation of new cities, increased mobility, or combinations of these.
- Human resource policy rather than land resource policy for problems of rural America.
- Policy for agriculture and rural America which encourages adjustment and which, at the same time, eases the uneven distribution of costs and benefits. Past policy has too often been one of slowing adjustment to a pace which permitted a larger percentage of people involved to handle their disproportionate share of costs. (For example, FHA loans for sewage systems to small, obsolete towns may be just slowing the out-migration to a pace which permits merchants to live off their depreciation.)
- Train people with appropriate skills to predetermine, or at least to study, the consequences of technological change. People need information about change and about what to expect if specified change is permitted to occur.
- Extension-type programs for rural businesses emphasizing management, accounting, and forecasting on the basis of demographics, etc.
- Research to estimate costs and benefits of specific change which can be controlled. The cost-benefit analysis must include both economic and social dimensions. Only then can people make choices with reasonable anticipation of the full range of consequences.
- Focus attention on disturbances and costs arising in the entire community as a result of economic growth and new technology. For example, as a large distributor moves into a community, local businesses need to understand the impact on the community economy and on the local business opportunity. The community needs to know the impact on the community economy and the external costs, such as pollution, of the distributor's profit-making decisions.
- Understanding of tools available for regulation of change and rate of change.
- Understanding of large agribusiness corporations as potent lobby force trying to change some rules to their own advantage and the resulting effects on the entire rural community. For example, the recent "feed the world" campaign was highly advertised by agribusiness at a time when government programs were restricting output. This and other programs sometimes work to offset policies and programs for farming and rural areas.